



# Monthly Economic Update

## April 2003



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This report is an update to the Quarterly Economic Indicators Report, both of which are available on the internet @ <http://www.montgomerycountymd.gov/departments/finance>. For questions, please call (240) 777-8866.

➤ **Economic Conditions.** Real gross domestic product grew a meager 1.6 percent during the first quarter compared to 1.4 percent during the fourth quarter 2002. Over the past year, real GDP grew a sluggish 2.1 percent, which is similar to the 2.2 percent rate during the same recovery period that followed the previous recession. Consumer spending and private investment grew 2.3 percent and 3.7 percent, respectively, which also were similar to the previous recovery period.

However, unlike previous recovery periods when total payroll employment increased an average 2.5 percent over the 14-month period following the end of the recession, employment has declined 0.4 percent over the past 14 months. Hence, since January 2002 when this jobless recovery began, almost 500,000 jobs have been lost most of which occurred in 2003. Other indicators have shown meager performance these past 14 months including industrial production, trade, personal income, and housing starts. The bright spots have been inflation, interest rates, and stock markets.

While the national economy continued to struggle during the past six months, the regional economy fared no better. The index of coincident indicators, which measure the region's current economic performance, declined 3.4 percent during February. This is the largest monthly decline since 9/11. Since the beginning of the year, the region's economy lost 20,000 jobs.

➤ **Consumer Confidence.** After declining nine of the previous 12 months, consumer confidence in the region increased 32.3 percent during March, the largest monthly increase since November 1993. While the increase was significant, a one-month change in the index does not immediately translate into increased consumer or business spending. Sustainable consumer confidence or optimism would signify potential growth in sales and investment and a rebound in hiring.

➤ **Retail Trade.** Retail sales in the County as measured by sales tax receipts were up 3.6 percent in March

compared to March 2002. Sales of nondurable goods were up 4.8 percent and durable goods were up 5.6 percent compared to March 2002. Sales of durables was particularly strong in the automotive sector (+10.1%) and the furniture and appliance sector (+8.8%). However, even with strong performance in March, sales of nondurable goods increased only 2.4 percent during the first quarter while sales of durable goods declined 2.4 percent.

➤ **Real Estate.** Housing prices continued their dramatic climb in March while sales dropped slightly. Average home prices increased 12.8 percent and median prices increased a comparable 12.4 percent over prices in March 2002. While both increases remained in the double-digits, they are below the average rate increases experienced in 2002 and may suggest a moderation in the recent rapid price appreciation. Sales of existing homes declined in March compared to March 2002. However, the decline followed solid increases in January (4.8%) and February (5.9%) over last year.

➤ **Construction.** Residential construction in the County continued to decline in March compared to last year. Both building permits and construction starts declined dramatically. Such declines are a continuation of the trend in 2002 and the first two months of this year. Nonresidential construction also followed the same trend with permits and starts declining in March 2003 compared to March of last year. If such declines in residential and nonresidential construction continue into the second quarter of this year, added construction to the County's property tax base will be lower compared to previous years.

➤ **Labor Market.** During the first three quarters of 2002, the County lost 100 private-sector jobs compared to the same period in 2001. However, the County's unemployment rate (2.6% in March) continues to remain one of the lowest if not the lowest in the State and well below the State average (4.4%) and the U.S. (6.2%).

SELECTED ECONOMIC INDICATORS	Reporting Period	Current Period	Prior Year's Period	Year To-Date		
				2003	2002	2002
Leading Indicators						
National	March	-0.2%		0.8%		-0.1%
Washington MSA	February	-1.4%		0.1%		-0.5%
Coincident Indicators						
National	March	0.0%		0.8%		0.7%
Washington MSA	February	-3.4%		-1.9%		-1.4%
Consumer Confidence Index						
National	April	31.9%		-30.6%		-14.7%
South Atlantic Region	April	32.3%		-25.3%		-9.6%
Consumer Price Index						
All Items						
National	March	3.0%		2.9%		1.6%
Washington - Baltimore CMSA	March	3.6%		3.5%		2.4%
Core CPI						
National	March	1.7%		1.8%		2.4%
Washington - Baltimore CMSA	March	2.7%		2.7%		2.9%
Retail Trade						
National (sales - not adjusted)	March	4.0%		4.3%		3.1%
Maryland (tax)	March	1.6%		-0.9%		1.6%
Montgomery County (tax)	March	3.6%		0.3%		0.9%
Employment						
National (Household Data - not adjusted)	March	136,783,000	135,558,000	136,374,000	135,059,000	136,485,000
- Percent Change		0.9%		1.0%		-0.3%
Washington PMSA (at place)	March	2,806,400	2,779,600	2,794,500	2,759,300	2,799,500
- Percent Change		1.0%		1.3%		0.3%
Montgomery County (resident)	March	491,114	485,501	489,814	482,769	489,673
- Percent Change		1.2%		1.5%		2.5%
Montgomery County (payroll)**	September ('02)	450,152	449,512	450,272	447,890	449,833
- Percent Change		0.1%		0.5%		0.5%
Unemployment						
National (not adjusted)	March	6.2%	6.1%	6.4%	6.2%	5.8%
Maryland	March	4.4%	4.4%	4.5%	4.7%	4.4%
Washington PMSA	March	3.5%	3.7%	3.6%	3.8%	3.7%
Montgomery County	March	2.6%	2.8%	2.6%	2.9%	2.8%
Construction						
Construction Starts - Montgomery County						
Total (\$ thousand)	March	\$51,508	\$89,594	\$235,794	\$345,444	\$1,595,801
- Percent Change		-42.5%		-31.7%		9.5%
Residential (\$ thousand)	March	\$38,594	\$60,281	\$107,472	\$136,019	\$744,066
- Percent Change		-36.0%		-21.0%		-4.2%
Non-Residential (\$ thousand)	March	\$12,914	\$29,313	\$128,322	\$209,425	\$851,735
- Percent Change		-55.9%		-38.7%		25.0%
Building Permits (Residential)						
National	March	143,525	139,592	391,197	374,100	1,728,556
- Percent Change		2.8%		4.6%		5.6%
Maryland	March	2,132	2,649	5,931	6,908	29,213
- Percent Change		-19.5%		-14.1%		0.5%
Montgomery County	March	272	595	1,128	1,158	5,013
- Percent Change		-54.3%		-2.6%		-1.5%
Building Permits (Non-Residential)						
Montgomery County	March	159	161	411	435	1,858
- Percent Change		-1.2%		-5.5%		-11.6%
Real Estate						
National						
Sales	March	5,530,000	5,420,000	5,830,000	5,720,000	5,566,000
- Percent Change		2.0%		1.9%		5.1%
Median Price	March	\$160,400	\$150,300	\$161,500	\$151,000	\$158,300
- Percent Change		6.7%		7.0%		7.1%
Montgomery County						
Sales	March	1,097	1,102	2,981	2,890	16,030
- Percent Change		-0.5%		3.1%		3.1%
Average Price	March	\$331,415	\$293,890	\$328,645	\$288,975	\$320,418
- Percent Change		12.8%		13.7%		16.5%
Median Price	March	\$271,000	\$241,000	\$263,667	\$228,667	\$255,275
- Percent Change		12.4%		15.3%		18.7%

NOTE: \*\*Data for Year-To-Date columns five and six are 2002 and 2001, respectively. Data in last column are 2001.